Flavin and Siracusa (HB 2253) Act No. 402

Relative to state and statewide retirement systems, provides as follows relative to the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (TRS).

Employee Experience Account (EA)

Existing law provides that the EA shall be "credited" an amount equal to 50% of the prior year's net investment gain and an amount equal to that portion of the systems' net investment income attributable to the balance in the EA during the prior year. Existing law provides that the EA shall be "debited" an amount equal to 50% of the prior year's net investment experience loss and an amount equal to that portion of the systems' net investment loss attributable to the balance in the EA during the prior year and an amount sufficient to fund any benefit granted from the EA.

New law provides that the authority to credit and debit the EA shall permanently terminate at the end of any fiscal year in which the accumulated balance of assets held in the EA equals or exceeds the total reserve required to permanently fund the cost-of-living increase described in new law, as determined by the Louisiana Public Retirement Systems' Actuarial Committee, and the cost-of-living increase shall be paid annually thereafter.

New law provides that the asset reserve that is required to permanently fund the cost-of-living increase shall be an amount equal to the present value of future normal costs, plus the increase in the accrued liability resulting from all prospective benefits for all current members, retirees and nonretiree beneficiaries of the retirement systems.

Cost-Of-Living Increases (COLA)

Existing law provides that the board of trustees, with the concurrence of the House and Senate Retirement Committees, the Joint Legislative Committee on the Budget, and the governor, "may" grant a COLA to retirees, survivors, and beneficiaries whenever the balance in the EA is sufficient to fully fund such benefit on an actuarial basis, as determined by the system's actuary. New law changes "may" to "shall" and deletes the required concurrence of the House and Senate Retirement Committees, the Joint Legislative Committee on the Budget, and the governor.

New law retains existing law which provides that, if the legislative auditor's actuary disagrees with the determination of the system's actuary, the matter shall be determined by majority vote of the Louisiana Public Retirement Systems' Actuarial Committee.

New law provides that the COLA shall be payable once every year, and shall not exceed the lesser of: (a) 2%, or (b) the increase in the consumer price index (CPI-U), if the CPI-U increase equals less than 2% for the calendar year immediately preceding the COLA. New law provides that the percentage of each recipient's COLA shall be based on the benefit being paid to the recipient on the effective date of the COLA.

New law provides that, to be eligible for the COLA, a retiree shall have attained at least age 55 and shall have received a benefit for at least one year, and a nonretiree beneficiary will be eligible for the COLA if benefits had been paid to the retiree or the beneficiary, or both combined, for at least one year, but in no event before the retiree would have attained age 55.

New law provides that the first normal COLA shall be effective July 1, 1999.

Relative to specified state and statewide retirement systems, provides as follows:

General COLA Provisions

Existing law, (R.S. 11:242), relative to all state and statewide public retirement systems, provides that the systems shall not provide a COLA during any calendar year prior to the final adjournment of the legislature and shall not do so during the same year within which the legislature has granted a COLA, unless specifically authorized by law, and then not until the lapse of at least one-half of the fiscal year, and unless the actuary for the system and the legislative auditor certify that the "funded ratio" of the system equals or exceeds the "target ratio" of the system, as those terms are defined. New law removes LASERS, TRS, and the Louisiana School Lunch Employees' Retirement System from the coverage of existing law.

New law provides that, if the legislative auditor disagrees with the determination of the system's actuary, the matter shall be determined by majority vote of the Louisiana Public Retirement Systems' Actuarial Committee.

New law repeals prior law, (R.S. 11:243), relative to the Louisiana State Employees' Retirement System, the Teachers' Retirement System, the Louisiana School Lunch Employees' Retirement System, the Louisiana School Employees' Retirement System, the State Police Pension and Retirement System, the unfunded retirement plan of Louisiana State University, and the unfunded retirement plan for judges, which provided for certain COLAs equal to 9% for persons who were receiving benefits on or before July 1, 1977, and 6% for persons who were receiving benefits on or before July 1, 1978, but after July 1, 1977, and 3% for persons who were receiving benefits on and after October 1, 1977.

New law repeals prior law, (R.S. 11:244), relative to the Louisiana State Employees' Retirement System, the Teachers' Retirement System, the Louisiana School Lunch Employees' Retirement System, the Louisiana School Employees' Retirement System, the State Police Pension and Relief Fund, the unfunded retirement plan of Louisiana State University, and the noncontributory retirement plan for judges, which provided for certain COLAs equal to 4% for persons between ages 62-65 on January 1, 1982, who were retired before July 1, 1978; and 7% of the benefits of persons at least age 65 on January 1, 1982 who retired before July 1, 1978; but not to exceed $24,000 annually, with a corresponding increase in employer contributions for certain of the covered systems.

New law repeals prior law, (R.S. 11:245), relative to the Louisiana State Employees' Retirement System, the Teachers' Retirement System, the Louisiana School Employees' Retirement System, the State Police Pension and Retirement System, the unfunded retirement plan of Louisiana State University, and the noncontributory retirement plan for judges which provided for certain COLAs equal to 7% of benefits that were being paid on or after October 1, 1977, with a corresponding increase of employer contributions by 1% of compensation, with a maximum COLA limitation equal to $1,200.

New law repeals prior law (R.S. 11:247), relative to the Louisiana State Employees' Retirement System, the Teachers' Retirement System of Louisiana, and the State Police Pension and Retirement System, which provided that, subject to funding by the legislature, the boards of trustees of those systems were authorized to increase the benefits of each retiree or the beneficiary or survivor on a one-time basis, and provides a formula for the distribution of such benefit increase, all subject to certain limitations.

LASERS COLA

New law repeals prior law (R.S. 11:491), relative to the Louisiana State Employees' Retirement System, which required that the board provide, from interest income, a supplemental monthly COLA commencing July 1, 1969, in an amount equal to 1% of the base benefit for every full six-month period the benefits that had been paid through December 31, 1968, and annual supplemental COLAs payable thereafter, based on the CPI, but not more than 3% in any year.

TRS COLA

New law repeals prior law, (R.S. 11:769), which provided that any person who retired and was receiving retirement benefits from TRS between 1963-64 was permitted to pay contributions amounting to 6% of his earnable compensation on certain salary amounts in excess of $7,500, and the retirement benefit was to be recomputed; and further required a COLA for teachers who retired before January 1, 1965 in an amount equal to 2%, with a special COLA equal to $400 for certain survivors and beneficiaries.

New law repeals prior law, (R.S. 11:770), relative to TRS, which provided that teachers who retired prior to January 1, 1965 and who were drawing retirement benefits were entitled to have their future monthly benefits determined and computed in such a manner that the annual pension portion of the retirement allowance, together with the annuity, provided a total allowance equal to the amount of 2% of earnable compensation for the five consecutive years of allowable service upon which present benefits are based, multiplied by the number of years of service, with certain limitations applicable to the maximum allowable benefit.

New law repeals prior law, (R.S. 11:771), relative to TRS, which provided that certain members, beneficiaries, and survivors were to have that portion of their retirement benefit not exceeding $10,000 increased by amounts scheduled between 6% and 12%, with annual supplemental COLAs based on the CPI authorized to be paid from interest earnings, limited to 3% in any year.

New law repeals prior law, (R.S. 11:772), relative to TRS, which provided that any member who retired between May 24, 1963 and July 28, 1966 and whose retirement benefits were reduced by certain earnings limitations, was eligible to have his retirement benefits automatically recomputed to be equal to the amount he would have received but for the imposition of the limitations with the amount determined to be due retroactively, paid in a lump sum.

New law repeals prior law, (R.S. 11:773), relative to TRS, which provided that any member who had retired before July 1, 1969 was eligible to have either his unused accumulated sick leave converted to membership service and have his retirement allowance recomputed, with an option to elect to make contributions on certain earnings in excess of $16,000 in order to obtain credit on his average salary, or receive an increase in his monthly benefits equal to $1 for each year of teaching service, but not more than 30 years of service.

New law repeals prior law, (R.S. 11:774), relative to TRS, which provided that any member who had retired before June 1, 1975 and who had attained age 65 with at least 20 years of service, or who had attained age 55 with at least 25 years of service, or who had at least 30 years of service at any age, and certain beneficiaries and survivors was entitled to a recomputation of retirement benefits in such manner as to provide a benefit equal to 2-1/2% of average earnable compensation for any three consecutive years of service, multiplied by the number of years of service, plus $300, with certain applicable limitations, and the board is authorized to pay certain supplementary COLAs in conjunction therewith.

New law repeals prior law, (R.S. 11:775), relative to TRS, which provided an annual supplementary COLA to certain persons, in lieu of any other COLA that was payable within the discretion of the board of trustees, and the COLA could not exceed $900, based on the difference between the increase in the CPI of the two immediately preceding calendar years, but not adjustable by more than 3% in any year.

New law repeals prior law, (R.S. 11:776), relative to TRS, which provided that any member who had retired prior to April 1, 1970 shall be entitled to a recomputation of retirement benefits, based upon average earnable compensation for any three consecutive years of service, with certain applicable limitations.

New law repeals prior law, (R.S. 11:777), relative to TRS, which provided that the monthly retirement benefit of certain members shall not be less than $8.50 multiplied by the number of years of service a member has, not to exceed 40 years, but not less that the monthly benefit being received as of June 1, 1975, exclusive of certain COLAs.

Effective July 1, 1999.

(Amends R.S. 11:242(B) and (E)(intro. para.), 542(C) and 883.1(C); Adds R.S. 11:542(D) and (E) and 883.1(D) and (E); Repeals R.S. 11:243-245, 247, 491, and 769-777)